

March 13, 2007

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre SD 57501-5070

Re: Request for Approval of an Electric Service Territory Agreement Jointly Submitted by Black Hills Electric Cooperative, Inc and Black Hills Power, Inc.

Dear Ms. Van Gerpen:

Black Hills Electric Cooperative, Inc. (BHEC) and Black Hills Power, Inc. (BHP) are submitting a joint request to the South Dakota Public Utilities Commission to consider approval for relocation of an electric service territory line and an approval to transfer a frozen customer of BHP in BHEC's territory to BHEC. The property is located in Sections 19 & 30, Township 1S, Range 5E, Black Hills Meridian, Pennington County, South Dakota. The reasons for the request are as follows:

- To provide the property developer and owner, Black Hills Traditions, LLC, with cost savings for power line extension to the lots affected within the subdivision.
- The existing service territory line bisects the development. The development can be served by both BHEC and BHP within the established territorial boundaries; however the four lots proposed to be transferred to BHEC's territory are better served by BHEC due to the topography and layout of the subdivision.
- To eliminate duplication of service. The proposed territorial transfer would allow BHEC to serve lots along streets which it would have to use regardless of the transfer to provide service to lots in the subdivision and within its existing territory. If the transfer of territory would not be allowed, BHP would have to extend into lots where BHEC had distribution facilities.
- Because unnecessary duplication of facilities will be avoided, the total installed costs of the electric systems will be lower, thus benefiting the existing and future customers of both BHP and BHEC.

Walker Witt, General Counsel and Vice President of Administration of BHEC, and Rob Usera, Construction Representative Supervisor of BHP have reviewed alternatives and are jointly submitting a request for the Commission to consider relocation of the electric service territory line and transfer of a frozen customer in the affected area. Key components of the proposal:

- One existing customer, who is also the owner of the development, will be impacted by the proposal. Lot 15 of Block 2 is currently in BHEC's territory and is being served by BHP. BHEC will have facilities along the boundary of Lot 15, and the owner of lot 15 agrees that it is within the best interests of that property to be served by BHEC. No other existing customers are impacted by the proposal.
- No existing electrical facilities are impacted by the proposal other than the radial line of BHP's which serves Lot 15 in Block 2.
- The developer and agent of Black Hills Traditions, LLC, Mr. Rob Livingston of R.L. Construction has been involved in our discussion and concurs with the recommendation as proposed. A letter of consent from Mr. Livingston is attached.
- Under the proposal BHP would lose approximately 5 customers and BHEC would gain approximately 5 customers. In consideration of the gain in customers, BHEC agrees to grant to BHP 5 lots in Section 29, T1N, Range 7E of the BHM, Pennington County, South Dakota, which request is being submitted simultaneously with this request to the commission.

We have attached the following information for your review:

- Exhibit 1.1: Drawing of the existing electric service territory line
- Exhibit 2.1: Combined drawing of the existing and proposed electric service territory line
- Exhibit 3.1 Location and description of the proposed electric service territory line
- Exhibit 3.2: Drawing of the proposed Electric service territory line
- Exhibit 4.0: A letter of concurrence from the owner of the property

If you require additional information or have questions, please do not hesitate to contact us. Also please advise us as to what we can expect for a timeline moving forward. Thank you for your consideration of this request.

Sincerely,

Walker C. Witt
General Counsel and VP of Administration
Black Hills Electric Cooperative, Inc.

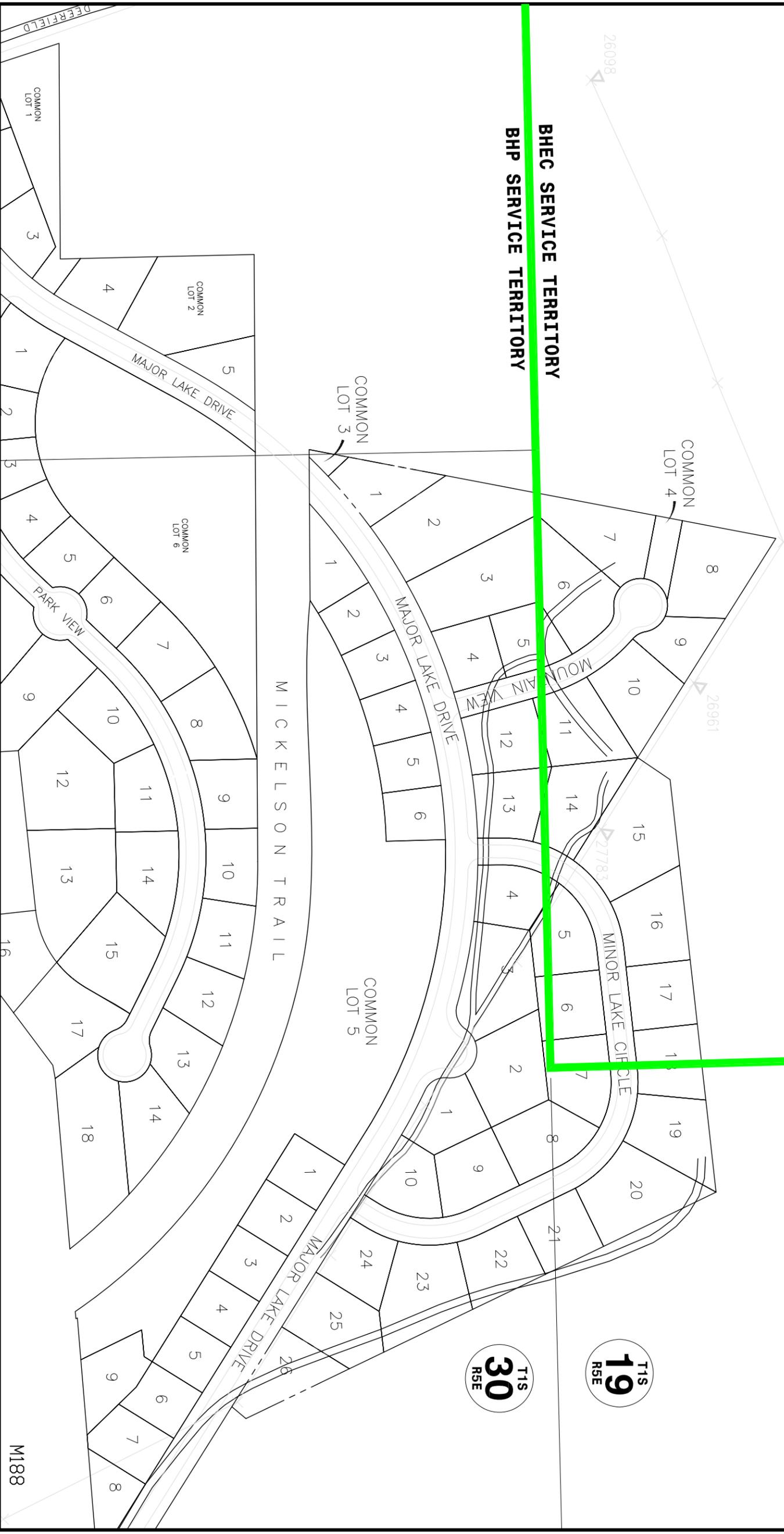
Rob Usera
Construction Representative Supervisor
Black Hills Power, Inc.

Enclosures:



BHEC SERVICE TERRITORY
BHP SERVICE TERRITORY

BHEC SERVICE TERRITORY
BHP SERVICE TERRITORY



T1S
19
RSE

T1S
30
RSE

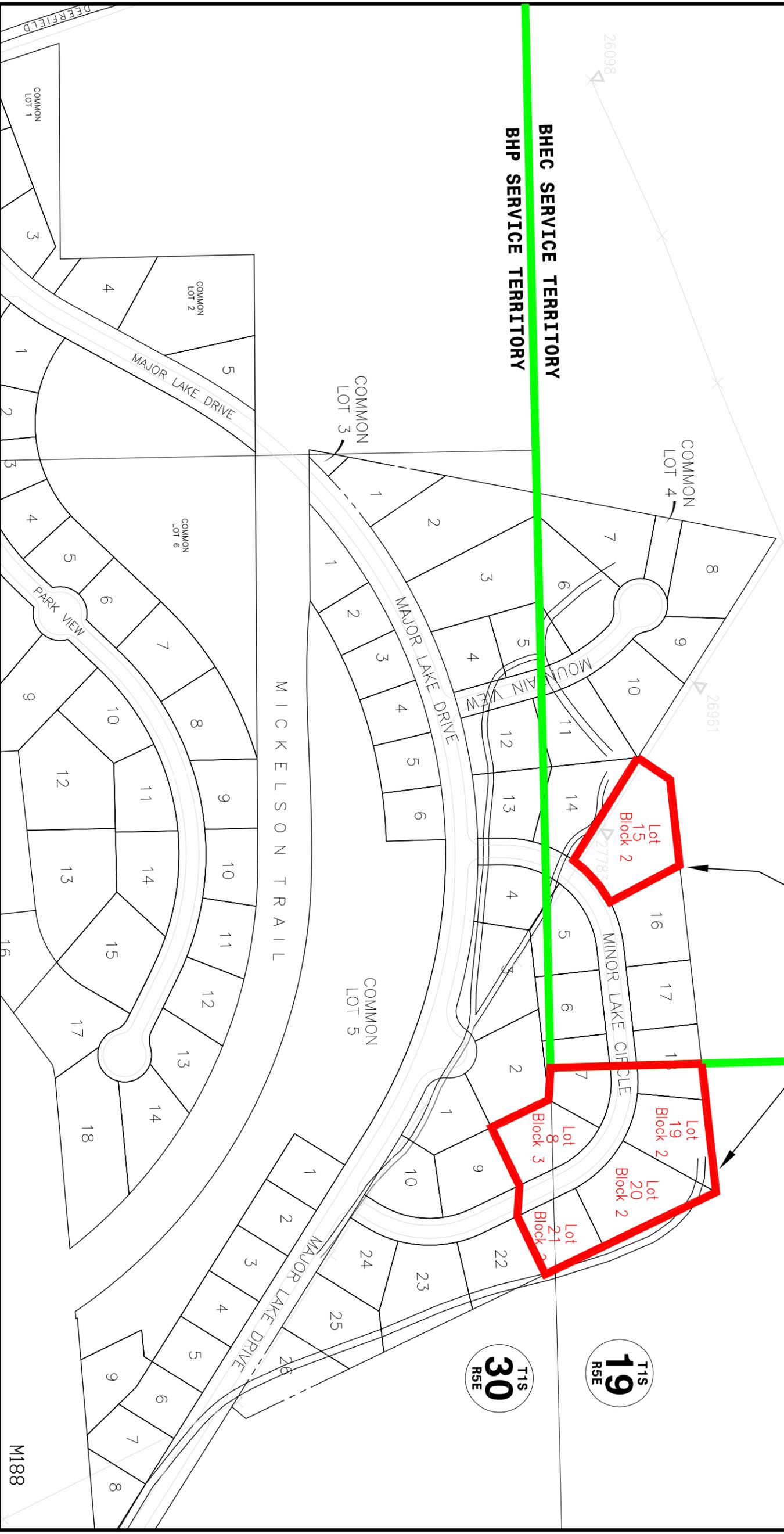
M188



Sunset Creek Proposal

Sunset Creek/ Redrocks Exchange 11-13-06
BHP to give to BHEC - Lot 15 of Block 2 (frozen Customer)
Lots 19, 20, 21 of Block 2; and Lot 8 of Block 3
All in Sunset Creek Estates Located in Sections 19 & 30, T1S, R5E

BHEC SERVICE TERRITORY
BHP SERVICE TERRITORY



T1S
30
R5E

T1S
19
R5E

M188

Exhibit 3.1:

Proposed Territorial Boundary between Black Hills Electric Cooperative and Black Hills Power:

Beginning at the point where the North South Territorial line in Section 19, T1S, R5E of the BHM in Pennington County, South Dakota intersects the N lot line of Lot 18 of Block 2 of Sunset Creek Estates, located in Section 19, T1S, R5E of the BHM, Pennington County, South Dakota.

Thence E along the N lot lines of lots 18 & 19 of Block 2 of Sunset Creek Estates, located in Section 19, T1S, R5E of the BHM, Pennington County, South Dakota.

Thence SE along the E lot lines of Lots 20 & 21 of Block 2 of Sunset Creek Estates, located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota

Thence W along the S lot line of Lot 21 of Block 2 of Sunset Creek Estates, located in Section 30, T1S, R5E of the BHM, Pennington County, South Dakota

Thence W across Minor Lake Circle to the SE Corner of Lot 8, Block 3 of Sunset Creek Estates, located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota

Thence SW along the S lot line of Lot 8, Block 3 of Sunset Creek Estates, located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota

Thence NW along the SW lot line of Lot 8, Block 3 of Sunset Creek Estates, located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota until the SE corner of Lot 7, Block 3 of Sunset Creek Estates, located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota

Thence W along the S lot line of Lot 7, Block 3 of Sunset Creek Estates, until the point at which the North South Territorial line bisects lot 7 located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota.

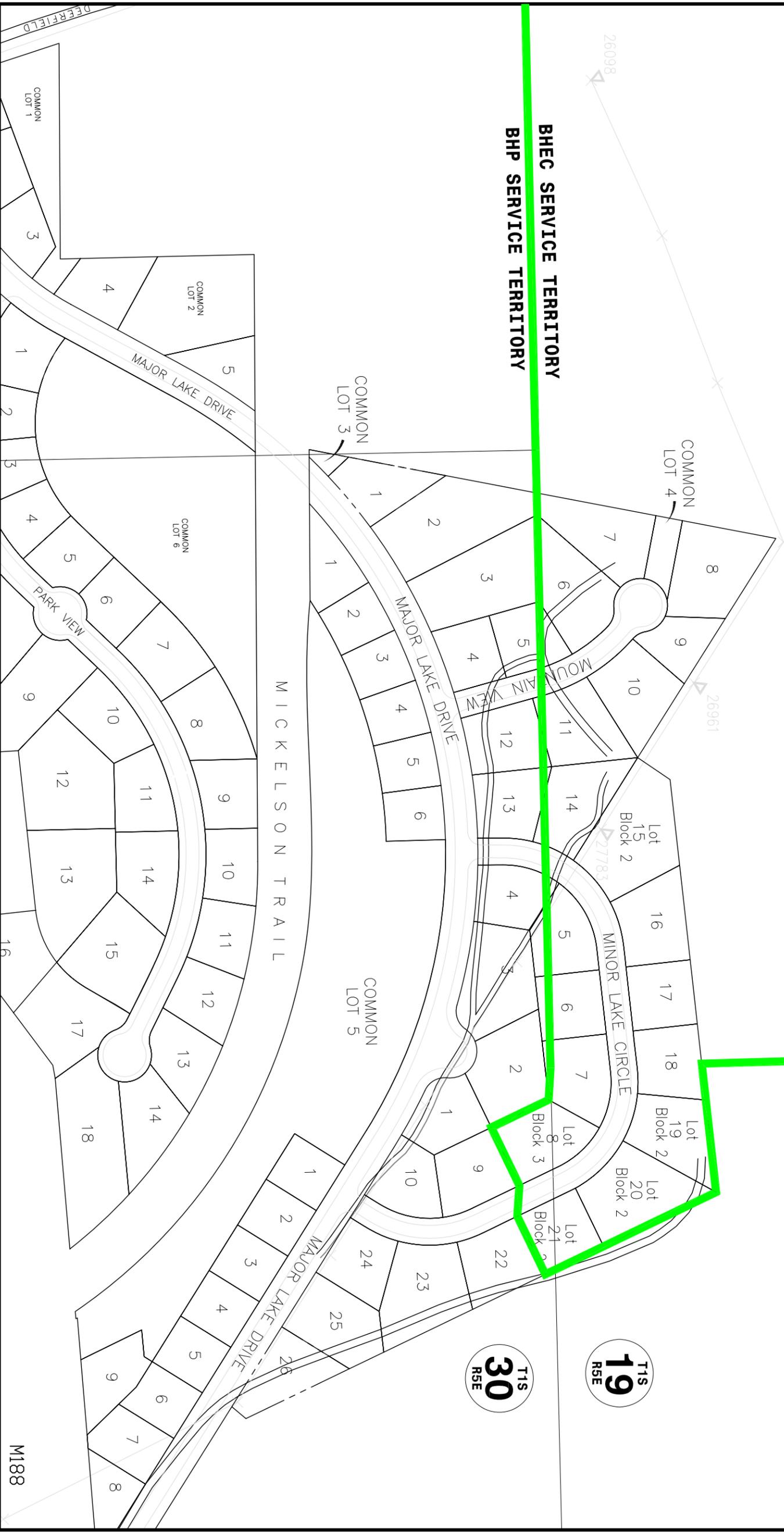
Include all of Lot 15 of Block 2 of Sunset Creek Estates, located in Sections 19, T1S, R5E of the BHM, Pennington County, South Dakota.



NEW SERVICE TERRITORY BOUNDARY 2007

BHEC SERVICE TERRITORY
BHP SERVICE TERRITORY

BHEC SERVICE TERRITORY
BHP SERVICE TERRITORY



January 10, 2007

South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre SD 57501-5070

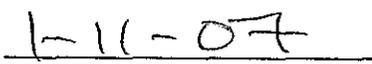
Dear Commissioners,

I hereby give consent for the transfer of the following property from the service territory of Black Hills Electric Power, Inc. to the service territory of Black Hills Electric Cooperative, Inc.

Lots 19,20,21 of Block 2; and Lot 8 of Block 3 of Sunset Creek Estates, located in Sections 19 & 30, T1S, R5E of the BHM, Pennington County, South Dakota.



Agent (Signature) Owner



(Date)